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C O N F I D E N T I A L KUWAIT 002291

SIPDIS

STATE FOR EB AND NEA/ARP

E.O. 12958: DECL: 04/30/2013

TAGS: [ECON](#) [ETRD](#) [EINV](#) [PREL](#) [IZ](#) [KU](#) [ZP](#)

SUBJECT: WORKING TO DEVELOP THE ECONOMIES OF IRAQ AND THE GULF STATES

REF: A. STATE 131981

[1](#)B. KUWAIT 1213

Classified By: Ambassador Richard H. Jones for reason 1.5 (D).

1.(C) Current GCC trade and investment practices, with a few important exceptions, are generally dismal and should not be considered as a model for Iraq. Our goal, in fact, should be the opposite: to use our successful efforts in Iraq to become a model for GCC economies. There are, however, a few 'success stories' in the GCC that might be useful to emulate in Iraq. We'll leave it to our colleagues to elaborate, but from Kuwait, Dubai's efforts to become a favorite destination of foreign investors and to protect intellectual property rights appear to be in the vein of what Iraq needs (but watch out for the onerous 'offset' requirements attached to government procurement contracts there). And Bahrain has become a leader in financial services, particularly in the areas of bank oversight and supervision.

[1](#)2. (C) Finally, the concept of the GCC Customs Union (and the eventual monetary union), as dysfunctional as its start-up has been, represents an ideal that we should encourage (while at the same time trying to lower the external barriers the Union presents).

[1](#)3. (C) Reftel requests thoughts on how regional investments in Iraq can be encouraged. We have seen press reports citing CPA Ambassador Bremer's announcement of a trade finance facility fund that will provide support to exporters and investors moving their products and funds into Iraq. We reiterate our recommendations (Reftel b) that organizations such as OPIC and EXIM take up this role for American firms and joint ventures, while at the same time we encourage MIGA to do the same on a more global basis. Finally, Gulf states themselves could be encouraged to provide trade and investment finance assistance to their nationals with training and technical assistance programs that allow countries like Kuwait to create its own investment insurance agency.  
JONES